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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, JULY 16, 2002

PETITION OF

VIRGINIA ELECTRIC AND
POWER COMPANY

For a Declaratory Judgment and,
in the Alternative, Application
for Authority to Construct and
Operate Transmission Facilities
Pursuant to the Utility Facilities
Act

CASE NO. PUE-2002-00180

FINAL ORDER

On March 26, 2002, Virginia Electric and Power Company ("Virginia Power" or "Company") filed a pleading seeking alternative actions. The Company petitioned for a judgment declaring that its proposed construction of a 230 kV underground electrical transmission facility and associated substation does not require the issuance of a construction certificate pursuant to the Utility Facilities Act, Chapter 10.1 (§56-265 et seq.) of Title 56 of the Code of Virginia.

Alternatively, Virginia Power requested that the Commission issue the certificate for facilities to be constructed in the City of Norfolk to serve U.S. Navy installations. Attached to the Company's petition was a completed response to the Commission's "Guidelines of Minimum Requirements for Transmission Line Applications."

By Order of April 18, 2002, the Commission denied the Company's petition for a declaratory judgment that Virginia Power did not need a certificate of public convenience and necessity to construct and operate the proposed underground transmission line and associated facilities. We directed the Company to give notice of the application for a certificate, and we authorized interested persons to file comments and requests for hearing. We also directed the Commission Staff to investigate the application and file a report of its findings. By Order of June 4, 2002, the Commission modified the filing date for the Staff report and set other filing dates.

On May 6, 2002, and June 18, 2002, Virginia Power filed with the Clerk of the Commission certificates of mailing of copies of its application and the Commission's orders to various state and local officials. We find that adequate notice of the application for a certificate was given. In response to the notice, the Commission received no comments or requests for a hearing.

The Staff filed on June 24, 2002, its report on the application. The Staff recommended that the application for a certificate be granted, with certain conditions. Virginia Power filed on July 1, 2002, comments on the Staff's report. While Virginia Power accepted the various conditions, the Company

noted that satisfaction of some conditions would be the Navy's responsibility.

The Commission finds that it may address this matter on the basis of the application, the Staff's report, and Virginia Power's comments without conducting a public hearing. As discussed in this Order, the Commission will grant the application and issue the certificate of public convenience and necessity with certain conditions.

Under contract to the U.S. Navy, Virginia Power will construct a double-circuit 230 kV underground transmission line approximately 0.52 mile in length between the Company's existing Sewell's Point Substation and a new Navy South Substation. The project will accommodate anticipated growth in the Navy's electrical load and will act to improve reliability. In addition to increasing load-carrying capability and reliability, the new underground line will enhance views of the area and will avoid the need for tall transmission towers above the proposed extension of Interstate Route 564. The towers could pose a hazard to aircraft operating from the base.

The Navy will pay for the project, which is expected to cost approximately \$9 million. Upon completion, Virginia Power will own the transmission line and the 230 kV side of the Navy South Substation (including the 230 kV to 34.5 kV stepdown

transformer), and the Navy will own the 34.5 kV side of the substation.

The corridor for the line would be approximately 2751.5 feet in length in an area of Norfolk devoted to industrial, commercial, and military use. The proposed double-circuit line will require a 20-foot easement. Most of the corridor (approximately 1837.7 feet) is on the Navy Base. In addition, approximately 503.35 feet would be on land owned by the Virginia Port Authority, and approximately 410.44 feet would be on the property of the Norfolk Southern Railway Company. The Company has obtained permission from the three landowners for construction.

Two existing utility easements parallel the proposed line. The U. S. Government has a 500-foot easement for an underground electrical distribution line, and the Hampton Roads Sanitary District had a 250-foot easement. The easement holders had various operating objections to sharing an easement with the proposed transmission line. The Company could not identify viable alternatives to the chosen corridor, which is the shortest possible route.

At the request of the Staff, the Virginia Department of Environmental Quality ("DEQ") coordinated a review of this project by various state and local agencies responsible for reviewing the impacts upon natural resources of electric utility

projects. The review, which was included as an attachment to the Staff's report, contains a summary of recommendations and copies of the documents submitted to DEQ by the various reviewing agencies. DEQ recommended that Virginia Power take the following steps:

- Obtain all applicable environmental permits or approvals or exceptions prior to commencement of construction activities.
- Encourage the Navy to address storm water loading reduction requirements in its facility-wide storm water master planning at the base.
- Coordinate project efforts with the Department of Transportation in regard to its projects pertaining to Hampton Boulevard and Interstate Route 564.
- Conduct an environmental hazards investigation before construction begins to ensure that there are no waste-related issues or sites.
- Contact the DEQ Waste Division's Federal Facilities section to determine the location of the proposed transmission line in relation to any Installation Restoration sites, and to consult regarding mitigation or avoidance measures.

In its comments on the Staff report filed July 1, 2002, the Company expressed no objections to any of the recommendations. Virginia Power noted that the Navy had exclusive control of its facilities, and the service would determine what actions to take on its installation.

The Commission will grant Virginia Power's application and issue the requested certificate of public convenience and necessity with certain conditions. As we discussed in our Order of April 18, 2002, underground construction of transmission facilities is an exceptional practice for Virginia Power. In this situation, the customer, the Navy, has unique requirements that underground construction will satisfy. We also note that the customer is paying for the facilities, and that the general body of Virginia Power ratepayers will not bear the direct costs or risk of construction.

The proposed underground construction is compatible with the development and land uses in the area of the line. The DEQ's coordinated review of the project identified no potential adverse environmental impacts associated with the project. The environmental agencies recommended conditions that are, in essence, precautionary steps, and the Company did not object. While we will make these measures conditions of the certificate, we recognize that the Navy has control over environmental compliance matters on its facilities.

Accordingly, IT IS ORDERED THAT:

(1) As provided by §§ 56-46.1, 56-265.2, and related provisions of Title 56 of the Code of Virginia, Virginia Power's application for a certificate of public convenience and necessity is granted.

(2) Virginia Power is authorized to construct and operate a double-circuit 230 kV underground transmission line approximately 0.52 mile in length between the existing Sewell's Point Substation and a new Navy South Substation, and associated facilities at the substations.

(3) Pursuant to the Utility Facilities Act, Chapter 10.1 (§ 56-265.1 et seq.) of Title 56 of the Code of Virginia, Virginia Power is issued the following certificate of public convenience and necessity:

Certificate No. ET-95s, which authorizes Virginia Electric and Power Company under the Utility Facilities Act to operate presently constructed transmission lines and facilities in the Cities of Chesapeake, Norfolk, Suffolk, Portsmouth, and Virginia Beach, all as shown on the detailed map attached to the certificate, and to construct and operate facilities as authorized in Case No. PUE-2002-00180; Certificate No. ET-95s will cancel Certificate No. ET-95r issued to Virginia Electric and Power Company on January 28, 1992.

(4) The certificate issued in ordering paragraph (3) above be conditioned on Virginia Power undertaking the following:

Obtaining all applicable environmental permits or approvals or exceptions prior to commencement of construction activities.

Encouraging the Navy to address storm water loading reduction requirements in its facility-wide storm water master planning at the base.

Coordinating project efforts with the Department of Transportation in regard to its projects pertaining to Hampton Boulevard and Interstate Route 564.

Conducting an environmental hazards investigation before construction begins to ensure that there are no waste-related issues or sites.

Contacting the DEQ Waste Division's Federal Facilities section to determine the location of the proposed transmission line in relation to any Installation Restoration sites, and to consult regarding mitigation or avoidance measures.

(5) As a condition of the certificate granted in this case, the transmission line must be constructed and in service by December 31, 2003; however, Virginia Power is granted leave to apply for an extension for good cause shown.

(6) This matter be dismissed from the Commission's docket.